

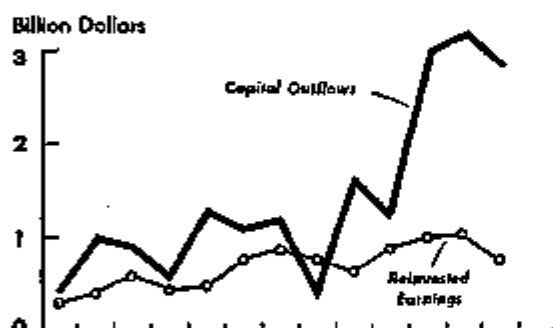
by Samuel Pizer and Frederick Cutler ★

Capital Flow to Foreign Countries Slackens

AFTER reaching a peak of \$3.2 billion in 1957, the outflow of U.S. private capital to foreign countries was reduced to \$2.8 billion in 1958 and declined further in the first half of 1959. Nevertheless, as indicated in the first chart, the rate of outflow continues to be much higher than that which prevailed prior to the sudden upswing in 1956.

Postwar Foreign Investments

Private capital outflows and reinvested earnings declined in 1958 . . .



as direct investment flows fell sharply . . .



although other private capital flows reached a record high



U. S. Department of Commerce, Office of Business Economics

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Investments by U.S. companies in their foreign branches and subsidiaries were cut severely in 1958, especially in the petroleum industry, as economic activity slowed down in many countries and excess capacity appeared both for manufactures and raw materials. Foreign earnings of the companies were also adversely affected, declining from the 1957 amount by 11 percent to about \$3 billion. Of this total, retained earnings of the foreign subsidiaries were about \$750 million, a decline of 25 percent from the prior year. Additions to direct investments through capital flows and retained earnings together amounted to \$1.8 billion in 1958, raising the total book value of direct foreign investments to \$27.1 billion at the end of that year.

While direct investments receded in 1958, net purchases of foreign bonds and corporate stocks by U.S. investors climbed to \$14½ billion, from about \$1½ billion in 1957, and credits extended by banks and commercial concerns were expanded by over \$500 million during the year. Outflows of this magnitude reflected the relative ease in U.S. money markets, particularly in the first half of 1958, coupled with an intensified interest in the equity securities of Canadian and European enterprises. In the course of 1958, however, interest rate differentials shifted as the U.S. economy recovered strongly accompanied by rising interest rates, while in Europe interest rates declined as economic activity lagged. Canadian interest rates rose sharply after the middle of 1958, reflecting economic recovery.

In line with these developments, offerings of new foreign bonds in the United States diminished in the last half of 1958 and have remained relatively moderate in the first half of 1959. Credit extension by banks also slowed down in the latter part of 1958 and there were net repayments in the first half of 1959. On the other hand, United States purchases of foreign equity securities continued at a record pace, and have been a significant factor in the rise of share prices in foreign markets.

Reflecting both increased capital outflows and gains in market values, U.S. holdings of foreign securities rose from an estimated \$5.9 billion at the end of 1957 to \$7.8 billion at the end of 1958.

Direct Investments

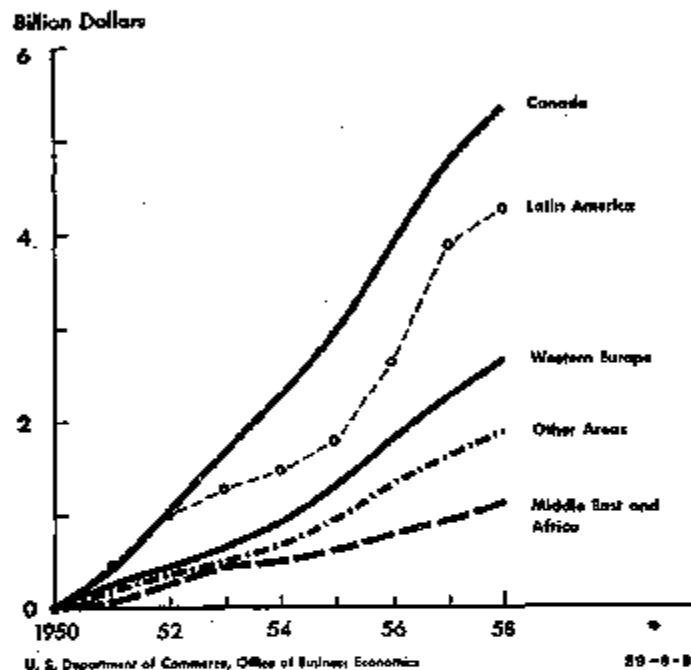
The extraordinary growth of direct foreign investments in 1956 and 1957, reaching \$3 billion annually, reflected primarily accelerated outlays in the petroleum industry, and to a much lesser extent an expansion of manufacturing investment. Similarly the decline to an increment of \$1.8 billion in 1958 resulted mainly from a drastic falling off in petroleum investments, together with small declines in most other industries. Petroleum investments accounted for some 40 percent of all direct investments between 1950 and

NOTE.—MR. PIZER AND MR. CUTLER ARE MEMBERS OF THE BALANCE OF PAYMENTS DIVISION, OFFICE OF BUSINESS ECONOMICS.

1958 and, as shown in the accompanying chart, were subject to sharper variations than other industries.

Even though reduced from the record levels of recent years, the current flow of direct investments is substantially higher than the postwar average. Moreover, after a long period of steady expansion abroad, U.S. parent companies tend to draw an increasing proportion of the funds needed for further growth from internal sources of the existing foreign enterprises and from capital markets abroad. Thus,

Cumulative Increase in U.S. Direct Foreign Investments, 1950-58, by Areas



it is possible for an enlarged program of capital expenditures abroad to result in a less than commensurate rise in capital outflows from the United States.¹ Nevertheless, present plans of U.S. industry to invest abroad in manufacturing facilities and in the development of additional reserves of metals and minerals appear to be sufficiently extensive to indicate continued outflows of capital at a relatively high rate for some time to come.

Expansion slowed in Latin America

After a record growth of \$1.3 billion in 1957, the increase in direct investments in Latin America fell to \$0.4 billion in 1958, about equal to the 1950-56 average.

Petroleum investments accounted for only \$145 million of the 1958 total compared with over \$900 million invested during 1957. About \$250 million of the 1957 amount for this industry represented cash payments for leases, but the remainder of the decline indicated a considerable slackening of investment outlays. Investment activity in this industry continued to center on Venezuela. There was some upturn in activity, although on a relatively small scale,

¹ Data for 1958 on sources and uses of funds of foreign branches and subsidiaries of United States companies will appear in the *SURVEY OF CURRENT BUSINESS* for October 1959.

in Argentina and some countries in Central America. In several countries local conditions inhibited expansion, and depressed world market conditions were a factor in Venezuela. Nevertheless, exploration and development activity remained vigorous in the area and new arrangements for developing petroleum resources were being worked out, although the extent to which they will require capital outflows from the United States is not clear.

Manufacturing investments in Latin America also weakened in 1958, with the steady growth in Brazil and Venezuela offset by sharp declines from the 1957 rates in most other countries. In some of these countries economic or political difficulties discouraged expansion, but U.S. companies have announced plans to carry out a great variety of manufacturing investments in the area in the near future.

Declining earnings and the completion of some major projects reduced the rate of mining investments in the area, although sizable investment programs were still in progress in Chile, Peru, and Cuba, and new developments are likely to require major outlays in the next few years. Of the other industries important to Latin America, U.S. investments in agriculture continued to fall, especially in Cuba where there was a sizable liquidation, while public utilities sustained the steady progress of recent years despite operating problems in some countries.

Canadian investment smaller

U.S. direct investments in Canada increased in value by \$600 million in 1958, exceeding the amount invested in any other major area in the year but lower than the average annual increase in Canada since 1950. As in most other areas investment activity was significantly less than in 1957, with capital outflows from the United States reduced more sharply than reinvested earnings.

The reduction in manufacturing investments was part of the broad decline in economic activity in Canada and probably also reflected the appearance of some excess capacity following a long period of expansion. Petroleum investments were also curtailed, in line with the general experience of the industry in the year, but mining investments registered some increase as new projects, especially for the development of iron ore, were undertaken.

Growth in Western Europe

The overall growth of U.S. direct investments in Western Europe was lower in 1958 than in 1956 or 1957, but the downturn reflected almost entirely a steep drop in capital flows and reinvested earnings for the petroleum industry. However, for this industry especially it is likely that reduced capital flows indicate that a larger proportion of the funds required for expansion were obtained in local capital markets. Capital outflows for manufacturing investments were reduced, and an increasing part of the additional investment represented reinvested earnings.

Investment in the Common Market countries was up substantially over the year, especially in France and Italy. The capital flow to Germany was under the 1957 amount but much of this offset by larger reinvested earnings. Capital flows to the United Kingdom were sharply reduced in 1958, particularly in the petroleum industry, while reinvested earnings declined in this industry and to a lesser extent in manufacturing.

Data available for the early months of 1959 indicate a strong upswing in capital flows to both the United Kingdom and continental Europe, and the renewed advance of economic activity in these countries, coupled with already

planned expansions in petroleum and other industries, should sustain a vigorous growth.

Other eastern hemisphere

U.S. companies accelerated their investments in the African continent in 1958, notably in newly developing areas in West Africa and north of the Sahara. In the latter area petroleum development was most important, although the data given here do not provide a full measure of these investments since they do not include large exploration and development expenditures charged against income. In West Africa, mining investments were being rapidly expanded with continued sizable outlays in prospect. Investment in manufacturing facilities in the Union of South Africa expanded moderately.

In the Middle East, investments in the petroleum industry grew at a somewhat greater rate in 1958 than in other recent years, reflecting continued efforts to improve facilities in the area and expand proved reserves. A marked increase in manufacturing investments in Australia was the leading feature of developments in the Far East, and sizable additions were made to investments in various industries in the Philippine Republic.

Investments in shipping companies registered in Panama and Liberia have now been segregated in an "International" category, since they cannot be regarded as part of the economies of those countries. Such investments continued to expand in 1958.

Major industries decline

The downturn in direct investments in 1958 was most pronounced in the petroleum industry, but was evident to a lesser degree in all other industries except trade and distribution. A preliminary review of the data on capital expenditures and inventory accumulations by the enterprises abroad, now being tabulated for publication in October, indicates that such outlays were reduced, but with substantial differences from the data on capital outflows and reinvested earnings covered in this report.

Although the growth in petroleum investments was much less in 1958 than in the 2 preceding years, it exceeded the average for the 1951-55 period. Most of the decline from the 1956-57 peak occurred in Latin America, where many countries experienced considerable reductions although the bulk of the change was in Venezuela. However, there were also sizable cutbacks in Canada, the United Kingdom, Germany and a few Far Eastern countries. Capital flows were generally lower and depressed earnings in most countries also reduced the amount available for reinvestment.

In view of the work being done or already programmed to develop larger proved reserves and enlarge refining and transportation facilities in many countries, based on expectations of a steady increase in world demand for petroleum products, this industry is probably entering another period of rising outlays abroad.

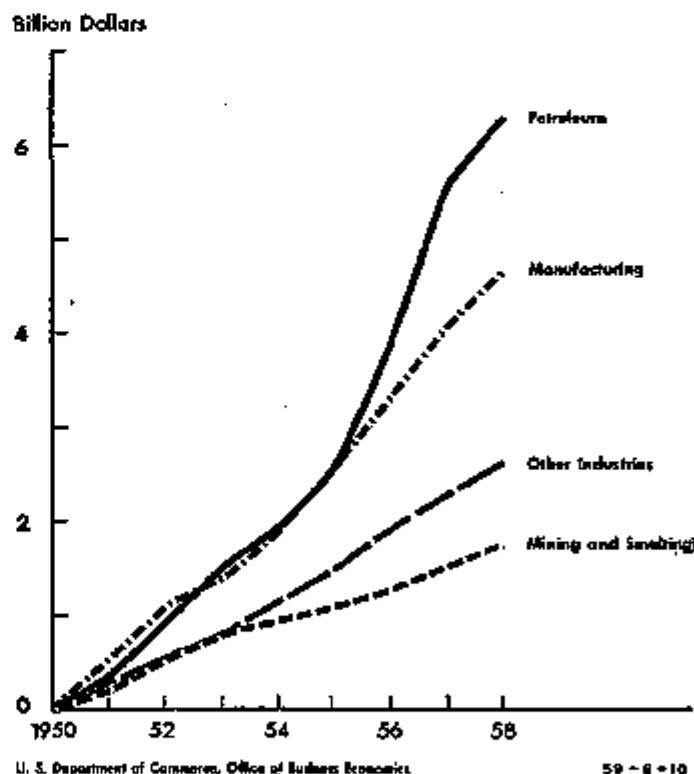
Manufacturing investments abroad by U.S. companies were increased by nearly \$600 million in 1958, a rate about equal to the annual average since 1950 but substantially lower than the rate in 1956 or 1957. The cutback resulted from a 50-percent drop in capital outflows, while foreign earnings of the industry and the amount reinvested remained strong. For Canada, capital flows in manufacturing fell by almost \$100 million between 1957 and 1958, notably in connection with aluminum production facilities.

There was also a marked reduction in Latin America, although the drop was largely confined to Mexico and Cuba. A striking increase occurred in the British West Indies, largely related to a single enterprise.

U.S. companies continued to add to their manufacturing investments in Europe in 1958 at an annual rate of over \$200 million, with some falling off in the United Kingdom offset by moderate upturns in several continental countries. Elsewhere the growth of manufacturing was proceeding at a rate of 80 to 90 million dollars annually, but with most of the investment still directed to a few relatively developed countries, especially Australia.

Mining investments declined only slightly in 1958, despite a substantial reduction in earnings which limited reinvestment in the year. In several areas investments by this industry were on the increase, including Canada and West Africa, where iron ore projects were significant, and in some of the Caribbean countries, where reserves of nonferrous

Cumulative Increase in U.S. Direct Foreign Investments, 1950-58, by Industry



ores were being developed. These gains were offset by reduced activity in some South American countries.

Investments in public utilities abroad, largely in Latin America, expanded at a steady rate in 1958, sustained by the reinvestment of a large portion of earnings as well as additional capital funds. Substantial investments in public utilities were going forward in a number of countries, notably Venezuela and Cuba. For the second successive year U.S. investors liquidated their interests in sugar properties, largely in Cuba and the Dominican Republic, while investing a small amount, on balance, in other agricultural enterprises.

The flow of investment to expand trade and distribution facilities abroad rose moderately in 1958. A need for

improved access to expanding foreign markets was probably a factor in the growth of this type of investment by U.S. companies in many countries. In Canada, however, business conditions in 1958 did not encourage further investment in this industry.

Other Private Investments

In the postwar years the net outflow of U.S. private capital, other than direct investments, has fluctuated widely from year to year, as shown in the first chart, but has tended upward since 1955 and reached a peak in 1958. The extension of short- and long-term credit to foreign borrowers by banks and commercial concerns has been declining since 1956, although the net outflow from this source in 1958 still exceeded \$500 million. However, a major expansion in purchases of foreign securities began in 1956 and reached record highs last year.

Purchases by U.S. investors of new foreign dollar bonds began tentatively after the war and reached highs of \$400-500 million in 1947, 1951 and 1956 when the relatively steady flow of Canadian issues was supplemented by large International Bank bond issues. In 1957 these borrowers again accounted for most of the increase to a total of \$600 million for new bond issues, but other borrowers began to enter the market to a significant degree. This trend continued in 1958, when new bond issues totaled nearly \$900 million, of which Canada and the International Bank each accounted for over \$350 million, Israel for some \$50 million, and over \$100 million was accounted for by 11 other countries. Purchases of new dollar bonds in the first half of 1959 were down to about \$300 million, compared with over \$600 million in the same period of 1958, but the amount offered by comparatively new borrowers continued to rise. Foreign purchasers continued to take a large portion of new dollar bonds offered in the U.S. market.

Along with the rise in dollar bond issues, sales of foreign

corporate stocks and other securities to U.S. investors also pushed upward in 1958. Sales of European corporate stocks in the U.S. market were \$240 million, after having been liquidated on balance during 1957; sales of Canadian equities remained steady at about \$60 million; sales by the Union of South Africa increased sharply, mainly representing shares of an investment fund. U.S. investors also purchased sizable amounts of Canadian bonds, in addition to those payable in U.S. dollars, especially in the closing months of the year when interest rates in that country were rising sharply.

In the first half of 1959 sales of foreign stocks in the U.S. market have continued at an undiminished rate, and market prices of stocks both here and abroad have moved sharply upward. Foreign investors have also made substantial purchases of U.S. corporate stocks this year. It now appears that with the relaxation of exchange controls in Europe at the end of 1958 and the emergence in several countries of a better balance between savings and local demands for investment funds, the international movement of private capital for portfolio investment is likely to expand significantly.

Changes in relative interest rates among countries assume an added importance under these circumstances. U.S. banks reacted to rising interest rates here when they reduced their outflow of short-term funds from \$840 million in the first 9 months of 1958, to almost nothing in the final quarter and a net liquidation in the first half of this year. The outflow of longer term bank financing also slowed down but continued at a moderate pace through 1958 and the first half of this year. In recent months U.S. banks have agreed to participate in several loan programs for foreign countries.

Foreign Assets in the United States

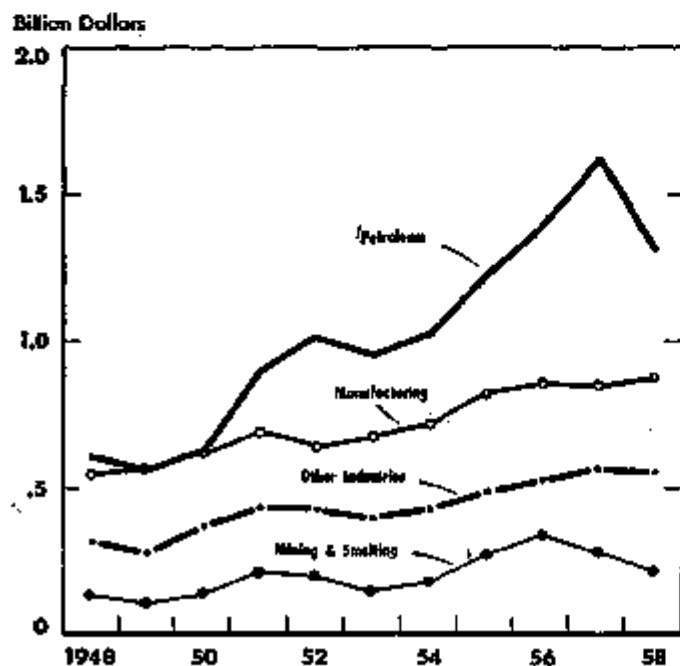
Holdings of dollar funds in the United States by foreign governments, banks, and individuals are also strongly influenced by relative interest rates here and abroad. In the first half of 1958, when short-term interest rates in the United States were declining relatively rapidly, foreign governments added very little to their dollar accounts but purchased nearly \$1.5 billion of gold in the United States. In the final half of 1958, as interest rates here moved sharply upward while those in many foreign countries continued to decline, foreign governments bought a further \$0.8 billion of gold but also increased their dollar holdings by \$0.7 billion. Short-term dollar assets of foreign banks and individuals increased by a little over \$200 million in 1958.

Through the middle of this year domestic interest rates rose more rapidly than those in most foreign countries, tending to maintain an inducement for foreign governments and others to hold dollar assets. Consequently, while foreign governments have continued to gain reserves they have tended to hold a large portion of the gain in the form of interest-paying dollar assets. Foreign banks sharply increased their holdings of dollar assets in the first half of 1959, adding over \$600 million. Part of this increase represented a tendency for some foreign governments to allow private banks greater freedom in international financing.

Increases in foreign holdings of liquid dollar assets in 1958 went very largely into deposits, as shown in table 1, primarily reflecting the comparatively high interest rate then being paid on time deposits. In the first half of 1959 a large part of foreign holdings was shifted to Treasury obligations as the pattern of interest rates changed.

Foreign investors have also been purchasing U.S. corporate bonds and stocks in moderate amounts since the middle of 1958. However, while these purchases were comparatively minor a very large increase in the market value of foreign holdings of U.S. corporate stocks resulted from the

Earnings of U.S. Direct Foreign Investments, by Industry



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upswing in stock prices, which added over \$2 billion to the value of such foreign investments in the United States.

The inflow of foreign capital for direct investment in U.S. enterprises in 1958 was less than \$50 million, so that most of the increase in these investments in the year was derived from reinvested earnings of over \$100 million. Although the inflow of capital for direct investment was the lowest in 10 years, this appears to be a temporary lull, since a number of new projects are in prospect. However, much of the capital required for these ventures is typically obtained from U.S. sources.

Taking all factors into account, the value of foreign-owned long-term assets in the United States increased by \$2.4 billion to a total of \$15.2 billion at the end of 1958, and has risen by a further substantial amount in 1959.

Earnings of U.S. Investments

The steady upward trend of earnings on U.S. private foreign investments was interrupted in 1958, when they declined to \$3.4 billion from the peak of \$3.7 billion reached in 1957. Direct-investment earnings fell by about \$375 million, as demand in most markets was static or declining and prices of most basic commodities were driven down. On the other hand, the growing volume of private portfolio investments abroad, coupled with somewhat higher yields on

new bond issues, raised income from this source by some \$50 million.

Over \$300 million of the decline in direct-investment earnings resulted from a 20-percent fall in earnings of the petroleum industry. All branches of the industry were affected, although there was a sharp contrast in results in the two principal producing areas, Latin America and the Middle East. In the former, earnings dropped by \$300 million reflecting a 6-percent dip in crude oil production by affiliates of U.S. companies, and the imposition of additional taxes by Venezuela in the closing months of the year which accounted for a charge against earnings of about \$130 million. In a number of Latin American countries the industry reported losses for the year, although in some cases this reflected rising exploration and development costs. Lower production and continued exploration outlays also contributed to reduce earnings in Canada. On the other hand, Middle East earnings were up substantially over the previous year, as output by U.S. companies rose 14 percent.

In Europe, where refining and marketing are the principal activities, petroleum earnings slumped sharply in a number of countries. Large exploration expenses in North Africa were the principal factor in losses reported in that area; in most Far Eastern countries earnings held steady. Operations of tanker fleets, most of which are now shown in the "International" category in table 4, resulted in much lower earnings in 1958 than in the prior year.

Table 1.—International Investment Position of the United States by Area, 1957-58

(Millions of dollars)

	Total		Western Europe		Western European Dependencies		Other Europe		Canada		Latin American Republics		Other foreign countries		International institutions and unallocated	
	1957*	1958*	1957*	1958*	1957*	1958*	1957*	1958*	1957*	1958*	1957*	1958*	1957*	1958*	1957*	1958*
U.S. investments abroad, total	54,322	53,155	16,744	17,737	373	1,149	384	478	12,895	14,253	11,772	12,882	6,527	7,485	4,527	5,279
Private investments	35,814	40,524	4,777	7,768	933	1,061	29	27	12,896	14,249	10,534	11,173	4,173	4,782	1,347	1,794
Long-term	36,632	37,336	5,786	8,714	923	1,063	22	22	12,874	13,842	9,282	9,760	3,693	4,132	1,347	1,794
Direct	25,238	27,076	3,938	4,382	906	1,088			8,332	8,929	5,335	5,736	2,806	2,142	1,776	1,854
Foreign dollar bonds	3,255	3,331	163	244			2	2	1,097	2,094	123	139	456	544	571	507
Other foreign securities	2,683	3,090	316	974					2,017	2,474	37	40	123	168		33
Other	2,466	2,040	1,054	1,114	22	23	19	19	316	345	797	800	206	277		
Short-term	3,183	3,468	991	1,054	37	28	7	5	326	407	1,252	1,364	399	630		
Deposits	424	496		250	8	9	1	1	112	136	47	55	31	32		
Other	2,759	2,990	793	788	19	19	6	6	213	271	1,205	1,309	449	639		
U.S. Government credits and claims	17,418	15,311	9,967	9,969	16	9	356	451	8	4	1,238	1,649	2,354	2,723	3,180	3,475
Long-term	16,473	16,192	9,079	9,074	15	9	305	422			1,119	1,659	1,478	1,751	3,474	3,472
Short-term	1,345	2,119	888	895			50	129	8	4	119	140	776	972	6	4
Foreign assets and investments in the United States, total	31,427	34,816	16,932	13,245	639	617	57	64	4,764	5,344	3,320	3,729	2,423	2,826	1,349	2,136
Long-term	12,534	15,219	8,636	10,890	263	340	36	43	2,609	2,943	910	1,060	279	333	94	82
Direct	4,782	4,940	2,935	3,080	20	21			1,050	1,031	135	153	59	73		
Corporate stocks	4,091	4,305	4,473	4,030	139	218	19	20	984	1,171	433	663	132	165	10	52
Corporate, State and municipal bonds	417	453	394	316	10	17			6	1	84	64	8	8	45	48
Other	1,544	1,519	968	973	84	84	17	17	139	140	216	218	87	87		
Short-term assets and U.S. Government obligations	18,893	19,597	8,296	8,355	277	277	21	23	2,155	2,401	3,410	2,640	2,344	2,493	1,245	2,054
Private obligations	9,901	10,816	3,806	4,587	221	227	14	16	1,348	1,445	3,370	3,357	1,709	1,845	81	244
Deposits	8,072	9,184	3,051	3,318	170	184	9	14	1,200	1,305	2,353	2,207	1,590	1,752	79	244
Other	1,829	1,632	1,247	1,269	51	43	5	3	145	75	197	160	189	163	2	
U.S. Government obligations	8,602	8,781	4,208	4,285	66	50	7	7	827	901	349	283	663	550	1,064	1,801
Long-term	1,449	1,480	341	473	28	24	5	5	371	222	345	187	30	36	228	601
Short-term	7,243	7,301	3,827	3,766	33	20	2	2	456	709	93	80	547	512	1,438	1,190

* Revised. * Preliminary.

1. Represents the estimated investment in shipping companies registered in Panama and Liberia.

2. Consists primarily of securities payable in foreign currencies, but includes some dollar obligations, including participations in loans made by the International Bank for Reconstruction and Development.

3. Includes U.S. currency not distributed by area estimated at \$917 million at the end of 1957 and \$990 million at the end of 1958.

Sources: U.S. Department of Commerce, Office of Business Economics.

Other industries reporting substantially lower earnings in 1958 were agriculture and mining. Earnings of agricultural enterprises were reduced by more than 40 percent, with nearly all of the decline in Latin America. Sugar properties in Cuba and elsewhere were affected by lower market prices, and, of course, the sale of various properties in recent years also reduced the earnings base. Other agricultural investments in Latin America also had lower earnings

in 1958, but in other parts of the world the earnings of this industry did not change significantly.

The sag in mining earnings which began in 1957 continued into 1958 as prices remained weak. Older established mines, especially copper properties and others in Latin America, Canada, and Africa, were operating at reduced levels of output and earnings for most of the year. However, newer

Table 2.—Value of Direct Investments Abroad, by Selected Countries and Years, and Major Industries, 1957-58

(Millions of dollars)

Line	Countries	1950	1952	1955	1956	1957 *							1958 *						
						Total	Mining and smelting	Petroleum	Manufacturing	Public utilities	Trade	Other industries	Total	Mining and smelting	Petroleum	Manufacturing	Public utilities	Trade	Other industries
1	All areas, total.....	11,738	14,519	19,313	23,177	25,232	2,634	3,991	7,893	1,803	1,590	2,322	27,975	2,456	9,861	8,458	1,897	1,740	2,394
2	Canada.....	3,579	4,593	6,494	7,460	8,432	996	2,164	3,312	331	472	847	6,529	1,633	2,410	3,694	944	480	826
3	Latin American Republics, total.....	4,443	5,443	6,233	7,439	8,335	1,238	2,379	1,473	1,112	836	596	6,730	1,227	3,005	1,749	1,175	600	563
4	Argentina.....	366	808	447	466	501	(1)	(1)	230	(1)	44	29	517	(1)	(1)	230	(1)	45	31
5	Brazil.....	644	1,018	1,115	1,218	1,301	(1)	227	339	379	109	(1)	1,345	(1)	215	701	181	171	(1)
6	Chile.....	540	623	639	676	702	487	(1)	39	(1)	12	10	788	483	(1)	40	(1)	13	11
7	Colombia.....	103	232	274	296	297	(1)	104	69	43	40	(1)	369	(1)	91	60	45	49	(1)
8	Cuba.....	642	686	730	777	840	(1)	(1)	80	334	36	282	861	(1)	(1)	82	336	40	250
9	Mexico.....	414	490	607	690	735	161	18	263	95	79	25	781	188	19	304	85	63	26
10	Peru.....	145	242	305	343	400	238	(1)	33	(1)	31	33	423	236	(1)	30	(1)	32	35
11	Venezuela.....	903	1,174	1,428	1,629	2,083	(1)	2,179	97	66	83	(1)	2,663	(1)	2,303	114	90	90	(1)
12	Central America, Dominican Republic, and Haiti.....	422	437	563	630	674	27	96	39	143	31	833	737	34	110	41	129	45	247
13	Other countries.....	80	163	119	132	161	(1)	29	44	12	23	(1)	173	(1)	49	46	14	23	(1)
14	Dependencies in the Western Hemisphere.....	131	154	179	314	329	(1)	104	2	(1)	20	22	344	(1)	206	19	(1)	49	24
15	Western Europe, total.....	1,729	2,143	3,004	3,529	3,949	59	1,334	2,077	54	337	291	4,432	51	1,285	2,348	55	393	313
16	Belgium.....	65	95	184	150	154	43	80	(1)	21	8	163	47	89	(1)	24	(1)	3	3
17	Denmark.....	32	38	39	45	46	26	13	(1)	(1)	8	(1)	82	32	14	(1)	6	(1)	(1)
18	France.....	217	276	376	427	457	7	147	243	6	22	32	437	7	179	279	10	26	25
19	Germany.....	204	261	332	429	498	(1)	151	268	(1)	48	26	574	(1)	164	315	(1)	64	30
20	Italy.....	63	80	157	207	232	(1)	103	72	1	10	42	254	(1)	110	91	1	14	48
21	Netherlands.....	84	109	162	183	213	(1)	119	45	(1)	24	14	226	(1)	126	46	(1)	35	13
22	Norway.....	24	33	43	61	82	(1)	23	15	2	2	(1)	65	(1)	23	17	2	2	(1)
23	Spain.....	31	40	58	62	81	(1)	18	32	(1)	6	15	68	(1)	17	26	(1)	5	18
24	Sweden.....	38	70	90	115	118	49	51	(1)	7	(1)	119	45	54	(1)	7	(1)	7	(1)
25	Switzerland.....	25	28	41	48	55	(1)	11	25	(1)	14	5	60	(1)	10	35	(1)	15	-1
26	United Kingdom.....	347	1,038	1,425	1,813	1,990	3	294	1,201	26	149	128	2,058	3	400	1,313	25	176	140
27	Other countries.....	70	86	140	177	194	23	96	33	3	28	11	306	22	164	38	3	26	11
28	Africa, total.....	287	339	572	659	711	203	234	126	2	43	63	759	234	274	139	2	73	64
29	Northern Africa.....	59	72	99	124	132	(1)	109	15	(1)	6	8	145	(1)	111	17	(1)	8	8
30	Western Africa.....	41	64	110	127	143	(1)	43	(1)	(1)	10	43	179	(1)	45	(1)	13	48	48
31	Union of South Africa.....	140	194	259	298	306	33	57	105	(1)	26	(1)	329	33	63	119	(1)	44	(1)
32	Other Africa.....	50	69	104	120	128	60	34	3	(1)	9	(1)	126	53	57	3	(1)	9	(1)
33	Middle East.....	704	838	1,027	1,106	1,209	(1)	1,115	34	(1)	5	28	1,315	(1)	1,218	38	(1)	6	29
34	Far East, total.....	566	829	1,208	1,337	1,533	63	629	475	77	145	174	1,683	53	645	546	86	166	184
35	Australia.....	201	310	498	552	601	32	(1)	302	(1)	32	20	673	32	(1)	354	(1)	37	31
36	India.....	38	63	93	108	119	(1)	(1)	39	2	10	(1)	116	(1)	(1)	39	3	11	(1)
37	Indonesia.....	58	74	90	113	130	(1)	25	(1)	3	3	(1)	149	(1)	(1)	27	(1)	4	(1)
38	Japan.....	19	39	128	145	181	(1)	36	(1)	1	12	(1)	183	(1)	(1)	43	1	16	(1)
39	New Zealand.....	25	37	42	47	51	(1)	(1)	18	(1)	11	2	54	(1)	(1)	19	(1)	12	2
40	Philippine Republic.....	149	176	229	267	307	(1)	(1)	43	(1)	61	37	346	(1)	(1)	49	59	70	37
41	Other countries.....	79	69	130	130	153	4	(1)	15	(1)	18	20	104	4	(1)	15	(1)	16	22
42	International.....	368	421	536	672	776	536	133	133	133	133	133	554	554	130	130	130	130	130

* Preliminary. 1. Included in total. 2. Less than \$500,000.

Source: U.S. Department of Commerce, Office of Business Economics.

NOTE.—The following country groupings apply to tables 2, 3, and 4: Dependencies in the Western Hemisphere includes British Guiana, British Honduras, British West Indies, Jamaica, and Trinidad; the Bahamas Islands and Bermuda; French Guiana and French Islands in the Western Hemisphere; the Netherlands West Indies, and Surinam; other countries in Western Europe includes Austria, Eire, Finland, Greece, Iceland, Liechtenstein, Luxembourg, Portugal, Turkey, and Yugoslavia; Northern Africa includes all African countries bordering on the Mediterranean; Western Africa includes Ghana, Liberia, British West Africa, French West Africa, and French Equatorial Africa; other Africa includes all African countries or dependencies not listed elsewhere; Middle East includes all countries and dependencies East of Suez up to and including Iran, but excluding Turkey; International includes shipping enterprises registered in Liberia and Panama but operating worldwide.

properties just coming into sizable production in several countries were beginning to raise their earnings.

Earnings of direct investments in other industries held up well in 1958. Manufacturing earnings increased slightly overall, as reductions in Canada and a number of Latin American countries were more than matched by notable

increases in Germany and Australia and smaller gains elsewhere. Earnings of manufacturing enterprises in Germany nearly doubled in the year, and were exceeded only by those in Canada and the United Kingdom.

Public utility earnings declined only slightly in 1958 while trade and distribution operations returned substantially

Table 3.—Direct Investment Capital Flows and Undistributed Earnings, by Selected Countries, 1957-58, With Major Industries for 1958

Table 4.—Direct Investment Earnings and Income,¹ by Selected Countries, 1957-58, With Major Industries for 1958

(Millions of dollars)

Table 3											Table 4											Line		
Net capital outflow						Undistributed subsidiary earnings					Earnings						Income							
1957 ² total	1958 ²					1957 ² total	1958 ²					1957 ² total	1958 ²					1957 ² total	1958 ²					
	Total	Mining and smelt- ing	Petroleum	Manu- factur- ing	Other indus- tries		Total	Mining and smelt- ing	Petroleum	Manu- factur- ing	Other indus- tries		Total	Mining and smelt- ing	Petroleum	Manu- factur- ing	Other indus- tries		Total	Mining and smelt- ing	Petroleum		Manu- factur- ing	Other indus- tries
2,655	1,064	194	694	175	136	1,917	765	27	192	493	214	4,330	2,954	219	1,302	573	355	2,313	2,138	152	1,284	471	241	1
584	136	51	230	52	31	274	200	2	27	132	39	641	508	42	54	337	133	367	368	39	208	84	3	4
1,084	288	75	142	29	51	189	135	14	3	46	72	1,701	763	55	379	97	199	612	627	74	376	51	126	5
15	8	(1)	(1)	-4	12	21	7	(1)	(1)	3	4	51	14	(1)	(1)	7	7	18	7	(1)	(1)	4	3	4
48	26	(1)	-13	29	10	35	18	(1)	1	13	4	75	58	(1)	(1)	26	21	40	35	(1)	(1)	13	17	5
24	35	23	(1)	(1)	2	3	9	3	(1)	1	5	50	44	32	(1)	8	9	45	35	20	(1)	1	4	6
9	-2	(1)	-4	3	-1	-9	-7	(1)	-11	(1)	4	17	2	(1)	-7	2	7	25	8	(1)	4	2	2	7
51	17	(1)	3	1	12	10	3	(1)	-2	1	4	80	48	(1)	1	5	42	36	45	(1)	3	4	39	8
39	-12	(1)	(1)	-15	5	36	27	(1)	(1)	17	3	77	69	(1)	13	25	20	41	42	(1)	1	15	15	9
47	29	21	(1)	-8	9	10	-1	(1)	(1)	(1)	-1	37	18	10	(1)	2	6	27	19	10	(1)	2	7	30
790	132	(1)	113	12	7	58	49	(1)	9	(1)	6	675	408	(1)	384	9	75	617	410	(1)	375	4	40	11
29	46	8	17	-2	33	24	27	1	2	4	20	58	45	1	-3	5	42	42	19	(1)	-4	2	20	17
26	19	(1)	16	(1)	4	1	2	(1)	(1)	1	1	7	(1)	(1)	-6	3	5	6	-1	(1)	-7	1	3	12
12	24	(1)	11	8	6	12	21	(1)	4	10	17	24	34	(1)	25	18	49	38	54	(1)	21	(1)	33	14
254	173	1	67	64	38	235	297	-1	6	125	47	547	533	3	104	308	117	311	325	3	97	153	72	16
(1)	1	(1)	3	-3	2	6	5	(1)	2	4	(1)	21	17	(1)	2	10	5	11	11	(1)	7	4	17	17
-1	6	(1)	(1)	6	(1)	3	5	(1)	(1)	1	1	3	4	(1)	(1)	2	3	3	2	(1)	1	1	1	1
5	32	(1)	21	6	5	33	31	(1)	12	14	6	46	29	(1)	10	26	10	23	21	(1)	5	12	4	18
58	25	(1)	19	6	(1)	30	49	(1)	-6	38	17	61	33	(1)	-2	65	20	31	30	(1)	3	30	3	19
15	26	(1)	8	12	8	11	8	(1)	-4	5	4	23	20	(1)	1	13	6	14	15	5	7	3	20	21
14	10	(1)	7	1	1	14	3	(1)	(1)	2	1	23	10	(1)	(1)	4	6	9	8	(1)	2	6	6	21
-2	-1	(1)	(1)	(1)	-1	3	4	(1)	(1)	2	2	5	5	(1)	(1)	2	3	2	2	(1)	(1)	1	1	22
-1	(1)	(1)	-1	1	1	4	3	(1)	(1)	3	(1)	5	4	(1)	-2	4	2	1	1	-2	1	1	1	23
-1	2	(1)	-3	(1)	2	4	(1)	-2	(1)	2	(1)	12	10	(1)	-2	7	5	8	10	(1)	1	1	1	24
4	4	(1)	10	-6	2	2	-2	(1)	-2	(1)	4	12	12	(1)	-3	5	6	8	10	(1)	7	1	1	25
167	58	(1)	(1)	32	25	128	101	(1)	5	90	16	320	315	(1)	125	180	52	198	214	(1)	98	26	26	26
5	11	(1)	7	(1)	10	10	1	(1)	1	2	(1)	11	-3	(1)	-13	3	5	(1)	-3	(1)	1	4	27	27
9	39	18	11	7	2	46	48	13	18	7	18	108	99	27	-19	23	28	62	29	25	-12	18	20	28
9	11	(1)	9	2	(1)	-2	2	(1)	(1)	1	(1)	-11	-25	(1)	-27	1	1	-3	-22	(1)	(1)	2	2	29
9	20	(1)	2	(1)	18	17	12	(1)	(1)	1	(1)	36	34	(1)	-2	36	35	21	(1)	-3	(1)	24	30	30
-15	5	(1)	-1	5	(1)	31	20	2	7	6	(1)	65	47	11	7	29	7	32	28	10	(1)	15	2	31
9	2	(1)	1	(1)	(1)	6	6	4	2	4	(1)	10	13	8	3	(1)	2	12	8	(1)	(1)	2	2	32
72	114	(1)	109	3	1	33	-7	(1)	-8	(1)	1	542	648	(1)	637	(1)	11	510	635	(1)	645	(1)	10	33
22	-9	(1)	-37	21	7	142	138	1	64	53	32	251	253	1	88	96	68	109	184	3	32	44	34	34
2	17	(1)	(1)	13	-1	47	55	(1)	(1)	24	21	83	94	(1)	(1)	87	27	34	30	(1)	(1)	33	6	35
-4	-2	(1)	(1)	1	-3	6	9	(1)	(1)	3	6	16	19	(1)	(1)	4	15	9	10	(1)	(1)	1	9	36
-15	-32	(1)	(1)	1	-23	44	32	(1)	(1)	3	30	52	52	(1)	2	90	7	20	(1)	(1)	(1)	1	20	37
10	-7	(1)	2	-9	17	9	(1)	(1)	(1)	6	3	27	12	(1)	7	5	11	3	(1)	(1)	(1)	2	2	38
2	1	(1)	-1	1	2	2	2	(1)	(1)	(1)	2	8	8	(1)	4	4	6	6	(1)	(1)	(1)	3	3	39
15	6	(1)	(1)	1	5	24	30	(1)	(1)	(1)	22	47	55	(1)	(1)	12	42	23	25	(1)	(1)	5	20	40
(1)	8	(1)	(1)	-1	9	2	2	(1)	(1)	(1)	2	19	18	(1)	(1)	2	11	17	11	(1)	(1)	1	10	41
18	68	(1)	66	(1)	2	84	19	(1)	5	(1)	8	90	57	(1)	30	(1)	7	4	27	(1)	(1)	2	42	42

¹ Preliminary.

1. Combined in "Other industries."

2. Less than \$500,000.

Source: U.S. Department of Commerce, Office of Business Economics.

² Preliminary.

1. Income is the sum of dividends, interest, and branch profits; earnings is the sum of income and undistributed subsidiary earnings.

2. Combined in "Other industries."

3. Less than \$500,000.

Source: U.S. Department of Commerce, Office of Business Economics.

higher profits. The latter industry ranked third in earnings among the various industries in 1958, after petroleum and manufacturing, with total earnings abroad of \$240 million.

Although direct-investment earnings abroad were weak in some industries in 1958, on the whole they were stronger than domestic corporate profits. While manufacturing earnings abroad gained slightly, leading manufacturing corporations in the United States (excluding petroleum production and refining) reported a reduction of some 17 percent. Although the drop in petroleum earnings was about 20 percent in both domestic and foreign operations, the latter were severely affected by rising taxes. Mining earnings were down by over 20 percent both here and abroad, but trade and distribution earnings abroad increased substantially while they declined in the United States.

Undistributed earnings decline

Although earnings of foreign subsidiary companies declined from \$1.9 billion in 1957 to \$1.7 billion in 1958, their dividend payments increased from a little over \$800 million to about \$900 million. Consequently, undistributed profits declined considerably, from about 54 percent of subsidiary earnings in 1957 to about 44 percent in 1958. Dividends increased primarily for petroleum and trading companies but were reduced for mining and agricultural enterprises.

Petroleum companies accounted for most of the shift in dividend policy, for despite a decline of \$200 million in the earnings of foreign subsidiaries they increased their dividend payments to parent companies by about \$70 million. The tendency to pay out increased dividends extended to companies in a great number of countries, partly reflecting reductions in investment activity. A sizable part of the drop in undistributed profits was accounted for by the shipping subsidiaries, which paid out very little in the form of dividends in either 1957 or 1958, but suffered a sharp drop in earnings in 1958.

Foreign subsidiaries of manufacturing companies retained about half of their earnings abroad in both 1957 and 1958, but in the latter year relatively more funds from earnings were available in Europe while earnings and reinvestments were lower in Canada and Latin America. In the case of agricultural and mining enterprises, reduced reinvestments in 1958 were the result of decreased earnings rather than higher dividends.

Dividends and interest received from U.S. portfolio investments abroad have increased consistently since the war and totaled over \$400 million in 1958. Of the \$54 million increase in 1958, more than half was accounted for by interest on foreign dollar bonds, and there was also a sizable increase in interest on short-term loans.

Table 5.—Earnings on International Investments, by Type, 1950-58

	(Millions of dollars)						
	1950	1951	1952	1953	1954	1957	1958*
Earnings on U.S. investments abroad, total	2,088	2,704	2,871	3,343	3,611	3,398	3,677
Direct investments, total	1,789	2,295	2,368	2,811	3,129	3,330	2,934
Dividends, interest, and branch profits	1,294	1,419	1,721	1,912	2,120	2,513	2,196
Undistributed profits of subsidiaries	475	876	644	898	1,009	1,017	755
Portfolio and short-term investments	160	205	230	308	297	363	417
Interest on U.S. Government credits	109	204	272	274	194	205	307
Earnings on foreign investments in the United States, total	478	472	544	631	693	770	788
Direct investments, total	381	234	300	320	300	319	328
Dividends, interest, and branch profits	145	152	175	101	190	225	218
Undistributed profits of subsidiaries	133	82	125	120	110	117	110
Portfolio investments	166	174	145	217	326	230	319
Interest on U.S. Government obligations	31	64	89	84	154	201	139

1. Includes interest on time deposits not available for prior years.
* Revised. * Preliminary.

Source: U.S. Department of Commerce, Office of Business Economics.

Regional Markets in 1958

(Continued from page 15)

in counter-movement to industrial unemployment. In Wyoming, the decline in Government income disbursements reflected a reduction of military forces stationed in the State.

Reductions in Mining and Transportation

Earnings of individuals in both the mining and transportation industries declined from 1957 to 1958 in every region and in most States. This development is considered separately from the regional reviews above because of its industrial rather than geographic origin. That is, the declines stemmed largely from a contraction in demand by the manufacturing industry for mineral products (for use as fuel and raw materials) and for services of the transportation industry (in moving both raw materials and finished goods).

For example, the bituminous mines of Pennsylvania, Maryland, West Virginia, Virginia, and Kentucky supply more than half the coal used in the factories of New England, the Midwest, and Great Lakes regions. Accordingly, the reduction in manufacturing in these regions had a direct effect on mining that extended beyond their regional boundaries. Similarly the recession reduced the demand for and the production of silver, lead, coal, and iron ore in Montana; of coal and iron ore in Alabama; and of zinc and lead in Nevada.

Because a substantial portion of transportation facilities are engaged in moving raw materials from point of origin to point of manufacture and in distributing manufactured products throughout the Nation, the cyclical reduction in factory activity, though concentrated geographically, had direct effects on the transportation industry on a broad geographic basis.